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NPIC/TSSG/RED-1791-69

10 September 1969

MEMORANDUM FOR: Chief, Projects & Programs Staff

SUBJECT : Contract Security Procedures

1. I have discussed the subject at some length with [redacted] in the following paragraphs I will pass on to you the major points of reference and concern we have regarding contract security procedures.

2. Our primary concern at this time is with the security classification of the products of Research and Development Contracts. In the past, decisions regarding the security classification of such products have been rendered by various levels of the Research and Development Management Staff depending upon the complexity of the situation. Every R&D Contract product security classification recommendation has been submitted for division level approval.

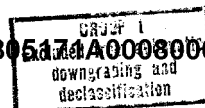
3. The process of deciding whether or not the technological characteristics of the contract product have security implications may be quite arbitrary and often depends upon the particular orientation of the individual ultimately responsible for the judgment in each case. The primary questions asked in this process have been whether or not the technological characteristics of the contract product imply agency association (when such an association is classified), or performance characteristics of other systems which are classified, or performance characteristics which inherently disclose a level of technology considered to be classified by the agency. Factors which tend to mitigate a decision to place a contract product in a security classification category are: the assigned responsibility of NPIC to make information concerning these products available to the community when feasible and the fact that the physical security required at the contractor's facility in the production of classified information or hardware costs considerably more to the government than the production of an unclassified product.

4. The NPIC Equipment Summary provides a concise record of the judgments that have been made in the past regarding the security classification of R&D contract products. The precedent established by these publications is, in general, that an R&D contract product becomes unclassified if and when the contractor is given permission to list the product in his standard stock list as a shelf item. In other cases it

Declass Review by
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becomes unclassified if it closely resembles other equipment which is available from other sources on an unclassified basis. In still other cases, items were judged to be unclassified if they were not proprietary to the center or the agency and bore no leading implications to the characteristics of other classified equipment or systems.

5. There is a particular item about which [] expressed some concern; that is the Automatic Target Indexing Device being developed by []. Apparently, the contractor has been advised that this development may be handled as unclassified. In spite of the fact that the contract specifically prohibits disclosure of information concerning this contract to anyone without approval of the contracting officer (whether or not the product is classified), the fact that it is not classified offers the contractor some implicit license to publish closely related information and to discuss the matter with various and sundry contacts he may have. In such cases, the absence of a security classification significantly weakens the government's ability to control disclosure of this information. In the case of the Automatic Target Indexing Device, [] believes that the performance characteristics may lead an uncleared observer to deduce performance characteristics of the related acquisition systems and he also feels that the development represents an extensive investment resulting in knowledge of proprietary interest to the center, which should not be disclosed in a fashion that may compromise the center's opportunity to follow it through to completion. Accordingly, we suggest that the classification of this contract product be reconsidered for upgrading to SECRET. Assuming that the understanding that we have disclosed through this memorandum is consistent with the agency and center management policy, we will continue to make recommendations for security classification of contract products in the same manner described above []

Special Assistant for Plans and Applications, []

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